



PRICE TARGET REVISION | COMMENT

MARCH 24, 2011

Cameco Corporation (TSX: CCO; NYSE: CCJ)
Near-term Uncertainty, But Longer-term Upside Still Intact

Outperform
Above Average Risk

Price:	30.21	Price Target:	38.00 ↓ 50.00
Shares O/S (MM):	394.4	Implied All-In Return:	27%
Dividend:	0.40	Market Cap (MM):	11,915
NAVPS:	27.67	Yield:	1.3%
Float (MM):	394.4	P/NAVPS:	1.1x
Debt to Cap:	(4)%	Tr. 12 ROE:	10.50%
Institutional Ownership:	NA	Avg. Daily Volume (MM):	5.30
		3-Yr. Est. EPS Growth:	67.00%

Event

We have reduced our near-term uranium price assumptions post the Japanese disaster and updated our estimates and target price.

Investment Opinion

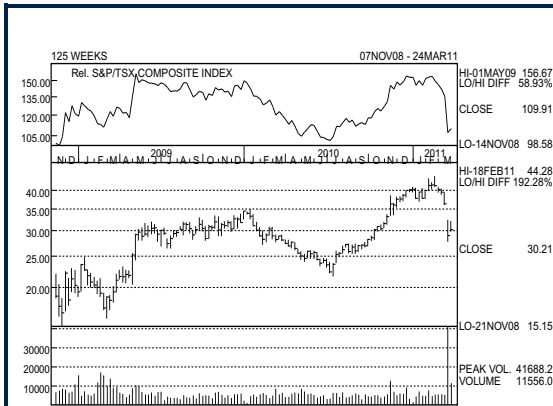
- **Uranium forecast revisions:** In the wake of the nuclear disaster in Japan, we have reworked our uranium supply-demand forecasts and our uranium price deck. We have lowered our spot price forecast for 2011 to \$69/lb from \$80/lb and our 2012 forecast to \$77.50/lb from \$100. We are forecasting a recovery in the uranium sector with a weighting to the second half of 2011 and into 2012. See March 22, 2011 note "Re-Assessing Uranium and Uranium Equities Post the Japanese Nuclear Disaster."
- **Estimate revisions:** We have revised our estimates to reflect the forecast changes. Despite the sharp fall in our target price, we believe the shares currently offer attractive upside potential over the next 12 months and we maintain our outperform recommendation.

EPS	2011E	2012E	2013E	NAV	Target
New	\$1.11	\$1.52	\$2.33	\$27.67	\$38.00
Old	\$1.25	\$2.24	n/c	\$30.03	\$50.00

- **Near-term uncertainty should eventually give way to longer term upside potential:** The near-term outlook remains uncertain. Uranium prices appear to be stabilizing, though further downside cannot be ruled out. In addition, Cameco's 2011 sales volumes could suffer from customer deferrals, though Cameco has indicated it does not see this as a significant risk. However, Cameco is sold out through 2016 and its sales contract portfolio provides stability and protection in the face of near-term uncertainty and weak pricing. Longer-term, we maintain our positive view of the uranium market and believe prices must rise to encourage new supply. We believe Cameco is well placed to take advantage of this positive outlook.
- **Investment rationale:** Cameco remains the leader in the uranium industry, in our view, with the largest and highest quality assets in the business. The company has a strong balance sheet and is beginning to generate free cash flow that will support longer-term growth. Progress at Cigar Lake and Cameco's other exploration and development projects hold out the possibility of longer-term upside potential.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 6.



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FY Dec	2009A	2010A	2011E	2012E
EPS (Op) - FD	1.49	1.40	1.11	1.52
Prev.			1.25	2.24
P/E	20.3x	21.6x	27.2x	19.9x
CFPS - FD	1.87	1.89	1.74	2.19
Prev.			1.88	2.92
P/CFPS	16.2x	16.0x	17.4x	13.8x
EPS (Op) - FD	Q1	Q2	Q3	Q4
2009	0.24A	0.36A	0.26A	0.63A
2010	0.39A	0.33A	0.19A	0.47A
2011	0.25E	0.32E	0.39E	0.15E
Prev.				0.29E
2012	0.38E	0.38E	0.38E	0.38E
Prev.	0.56E	0.56E	0.56E	0.56E
CFPS - FD				
2009	0.27A	0.56A	0.63A	0.65A
2010	0.52A	0.45A	0.32A	0.68A
2011	0.44E	0.44E	0.44E	0.44E
Prev.	0.47E	0.47E	0.47E	0.47E
2012	0.55E	0.55E	0.55E	0.55E
Prev.	0.73E	0.73E	0.73E	0.73E

All values in CAD unless otherwise noted.

Exhibit 1: Valuation

Earnings Valuation								
24-Mar-11	SYMBOL	CCO-T	Market Cap					
	PRICE	\$30.21	\$11,913	million				
Commodity Assumptions:			2010	2011E	2012E	2013E	2014E	2015E
Ux Spot Uranium (US\$/lb U3O8)			\$46.46	\$69.00	\$77.50	\$80.00	\$80.00	\$80.00
Realized Price (US\$/lb U3O8)			\$43.63	\$50.60	\$57.00	\$66.00	\$63.70	\$65.90
Ontario Spot Electricity Price (C\$/Mwh)			\$35.22	\$36.24	\$36.96	\$37.70	\$38.45	\$39.22
Realized Electricity Price (C\$/Mwh)			\$57.65	\$52.88	\$54.76	\$54.78	\$55.78	\$56.81
Cdn\$ Exchange Rate			\$0.97	\$1.01	\$1.00	\$0.99	\$0.98	\$0.98
Fully Diluted EPS By Business Segment:			2010	2011E	2012E	2013E	2014E	2015E
Uranium & Conversion			\$1.11	\$0.95	\$1.35	\$2.17	\$1.13	\$1.68
Power			\$0.30	\$0.17	\$0.17	\$0.16	\$0.17	\$0.19
Total			\$1.41	\$1.11	\$1.52	\$2.33	\$1.30	\$1.87
Target Multiples:								
Uranium & Conversion			30.0x	30.0x	30.0x	25.0x	27.5x	25.0x
Power			15x	15x	15x	15x	15x	15x
Valuation:								
Uranium & Conversion			\$33.24	\$28.43	\$40.55	\$54.29	\$30.99	\$42.08
Power			\$4.46	\$2.51	\$2.53	\$2.38	\$2.58	\$2.79
Total			\$37.70	\$30.93	\$43.08	\$56.67	\$33.57	\$44.87
Net Asset Value:			\$27.67					
Current Premium/ (Discount) To NAV			9%					
Target Price:								
Based on 2012 EPS discounted @ 15% for 1 years			\$37.46		Rounded	\$38.00		

Source: Company Reports

Appendix: Cameco Profile



RBC Capital Markets®

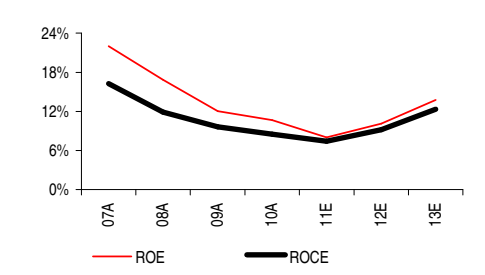
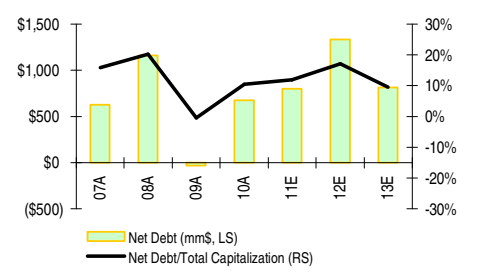
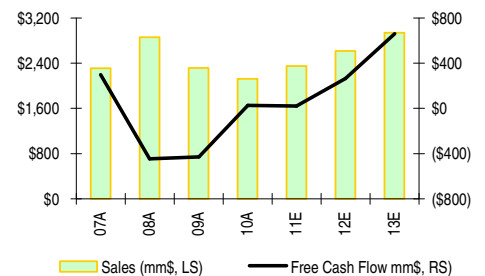
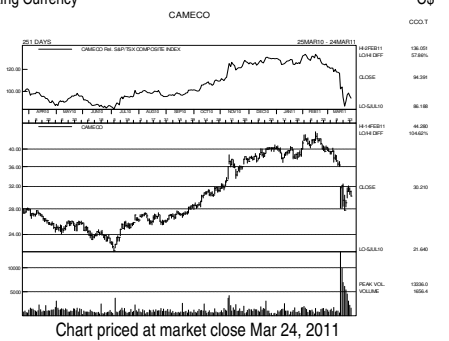
Cameco (CCO)
(TSX)

Valuation	2007A	2008A	2009A	2010A	2011E	2012E	2013E
EPS, adjusted	\$1.63	\$1.68	\$1.49	\$1.40	\$1.11	\$1.52	\$2.33
EPS Growth	116.7%	3.3%	-11.0%	-6.6%	-20.1%	36.4%	53.3%
P/E	28.5x	18.9x	18.3x	20.8x	27.1x	19.9x	13.0x
CFPS	\$1.81	\$2.40	\$1.87	\$1.89	\$1.74	\$2.19	\$3.07
P/CFPS	25.6x	13.2x	14.6x	15.4x	17.4x	13.8x	9.8x
EV/EBITDA	15.6x	8.1x	15.6x	20.2x	15.2x	12.1x	8.6x
Dividend Per Share	\$0.19	\$0.23	\$0.24	\$0.27	\$0.40	\$0.40	\$0.40
Dividend Yield (%)	0.4%	0.7%	0.9%	0.9%	1.3%	1.3%	1.3%
Franking (%)	-	-	-	-	-	-	-
Weighted Average Share Outstanding, F.D. (million)	376.9	352.1	389.9	395.0	396.2	396.2	396.2
Average Share Price	\$46.37	\$31.78	\$27.33	\$29.02	\$30.21	\$30.21	\$30.21
P&L (millions)	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Total Revenue	\$2,310	\$2,859	\$2,315	\$2,124	\$2,349	\$2,615	\$2,939
Operating Costs	\$1,212	\$1,518	\$1,324	\$1,128	\$1,360	\$1,426	\$1,347
SG&A	\$127	\$116	\$136	\$156	\$159	\$163	\$168
Exploration + R&D	\$70	\$83	\$50	\$101	\$95	\$95	\$95
Other Expenses	\$233	\$24	\$17	17	4	-	-
EBITDA	\$939	\$1,181	\$848	\$785	\$782	\$977	\$1,375
DD&A	\$264	\$332	\$283	\$297	\$295	\$302	\$310
EBIT	\$675	\$849	\$565	\$488	\$487	\$674	\$1,065
Net Interest Expense	(\$33)	\$300	(\$256)	(\$72)	\$41	\$40	\$40
Others	\$9	\$39	\$37	\$11	\$0	\$0	\$0
Provision for Taxes	\$29	(\$25)	\$53	\$27	\$0	\$32	\$103
Equity & Associate Interests	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Minority Interests	\$20	\$60	(\$3)	(\$10)	\$0	\$0	\$0
Net Earnings	\$416	\$450	\$1,099	\$515	\$442	\$602	\$923
Preferred Dividends & Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Earnings to Common	\$416	\$450	\$1,099	\$515	\$442	\$602	\$923
Adjustments	\$197	\$141	(\$517)	\$40	\$0	\$0	\$0
Adjusted Net Earnings	\$613	\$591	\$582	\$555	\$442	\$602	\$923
Cash Flow (millions)	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Net Earnings	\$416	\$450	\$1,099	\$515	\$442	\$602	\$923
DD&A	\$264	\$332	\$283	\$297	\$295	\$302	\$310
Deferred Taxes	(\$134)	(\$142)	\$2	\$1	\$0	\$10	\$31
Working Capital & Other	\$255	\$69	(\$695)	(\$306)	(\$47)	(\$47)	(\$47)
Operating Cash Flow	\$801	\$708	\$690	\$507	\$690	\$867	\$1,217
CAPEX	(\$494)	(\$1,132)	(\$393)	(\$470)	(\$655)	(\$588)	(\$538)
Repayment of Long-term Debt & Investment	(\$8)	(\$21)	(\$726)	(\$12)	(\$13)	(\$15)	(\$16)
Preferred Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Free Cash Flow	\$298	(\$445)	(\$429)	\$25	\$21	\$265	\$663
Common Dividends	(\$67)	(\$80)	(\$93)	(\$106)	(\$158)	(\$158)	(\$158)
Dividends Paid to Minority Interests	-	-	-	-	-	-	-
Issuance/Buyback of Common Shares	(\$406)	\$1	\$441	\$18	\$0	\$0	\$0
Other Financing Activities	\$44	\$640	\$495	\$2	\$0	\$0	\$0
Acquisition/Disposal of Assets	\$6	\$37	\$4	\$1	\$0	\$0	\$0
Other Investing Activities	(\$38)	(\$50)	\$628	(\$671)	\$0	\$0	\$0
Net Change in Cash	(\$163)	\$104	\$1,047	(\$730)	(\$136)	\$107	\$505
Balance Sheet (millions)	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Cash & Short-term Investments	\$132	\$269	\$1,101	\$377	\$240	\$347	\$853
Total Current Assets	\$1,291	\$1,660	\$2,528	\$2,573	\$2,437	\$2,544	\$3,049
Property, Plant & Equipment	\$3,546	\$4,416	\$4,068	\$4,338	\$4,745	\$5,077	\$5,352
Total Assets	\$5,371	\$7,011	\$7,342	\$7,671	\$7,942	\$8,381	\$9,161
Short-term Borrowing & Debt Due in One Year	\$41	\$217	\$118	\$114	\$116	\$774	\$776
Total Current Liabilities	\$684	\$889	\$763	\$605	\$606	\$608	\$610
Long-term Debt	\$717	\$1,213	\$953	\$940	\$925	\$909	\$891
Total liabilities	\$2,628	\$3,496	\$2,498	\$2,455	\$2,442	\$2,437	\$2,451
Minority Interests	\$436	\$779	\$164	\$178	\$178	\$178	\$178
Common Shareholders' Equity	\$2,744	\$3,515	\$4,844	\$5,216	\$5,500	\$5,945	\$6,710
Exchangeable debentures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Liabilities & Shareholders' Equity	\$5,371	\$7,011	\$7,342	\$7,671	\$7,942	\$8,381	\$9,161

Outperform
Above Average Risk
\$38.00

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Current Share Price \$30.21
52-Week High \$44.28
52-Week Low \$21.64
Market Capitalization (million) \$11,913
Shares Outstanding (million) 394.4
Float (million) 394.4
Year-end 31-Dec
Reporting Currency C\$



Source: RBC Capital Market estimates, Company Reports



RBC Capital Markets®

Cameco (CCO)

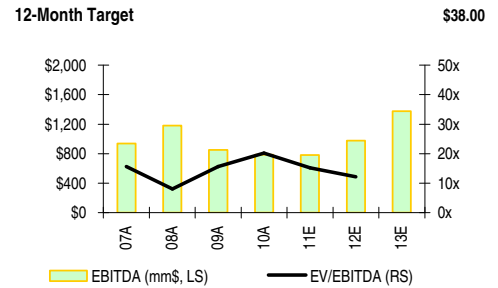
(TSX)

Ratio Analysis	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Sales Growth (%)	26.1%	23.8%	-19.0%	-8.3%	10.6%	11.3%	12.4%
EBITDA/Sales (%)	40.7%	41.3%	36.6%	37.0%	33.3%	37.4%	46.8%
EBIT/Sales (%)	29.2%	29.7%	24.4%	23.0%	20.7%	25.8%	36.3%
Net Earnings/Sales (%)	26.5%	20.7%	25.2%	26.1%	18.8%	23.0%	31.4%
Effective Tax Rate	6.3%	-5.1%	6.9%	5.1%	0.0%	5.0%	10.0%
Net Interest Coverage (EBIT/Interest Charges)	-20.7x	2.8x	-2.2x	-6.8x	11.8x	16.7x	26.9x
Net Debt/Equity	22.8%	33.0%	-0.6%	13.0%	14.6%	22.5%	12.1%
Net debt/ Total Capitalization	15.9%	20.3%	-0.5%	10.5%	11.9%	17.1%	9.5%
Return on Assets (ROA)	11.6%	9.3%	7.9%	7.1%	5.6%	7.2%	10.1%
Return on Equity (ROE)	22.0%	16.8%	12.0%	10.6%	8.0%	10.1%	13.8%
Return on Capital Employed (ROCE)	16.3%	11.9%	9.6%	8.5%	7.4%	9.2%	12.3%

Outperform

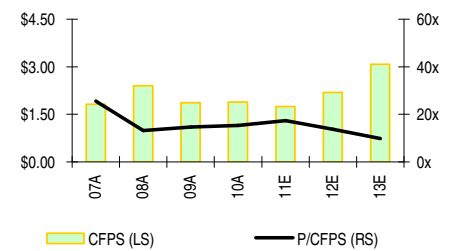
Above Average Risk

\$38.00



Commodity & FX Assumptions

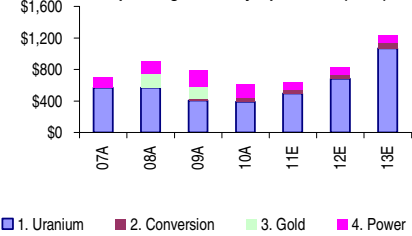
	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Ux Spot Uranium (US\$/lb U3O8)	\$98.68	\$63.02	\$46.44	\$46.46	\$69.00	\$77.50	\$80.00
Realized Price (US\$/lb U3O8)	\$37.47	\$39.52	\$38.25	\$43.63	\$50.60	\$57.00	\$66.00
Ux Spot Conversion Price (US\$/kg U as UF6)	\$11.08	\$9.31	\$7.13	\$9.19	\$13.65	\$15.33	\$15.82
Spot Ontario Power Price C\$	\$48.80	\$49.05	\$29.57	\$35.22	\$36.24	\$36.96	\$37.70
Gold (US\$/oz)	\$696.40	\$872.08	\$972.35	\$1,224.85	\$1,400.00	\$1,400.00	\$1,300.00
Cdn\$ Exchange Rate	\$0.94	\$0.94	\$0.88	\$0.97	\$1.01	\$1.00	\$0.99



Production

	2007A	2008A	2009A	2010A	2011E	2012E	2013E
Uranium (000's lbs)	20,150	17,300	20,800	22,800	21,900	22,900	23,900
Sales (000's lbs U3O8)	30,186	34,100	33,900	29,600	32,000	32,000	32,000
Conversion (000's tonnes)	13	8	12	15	16	17	18
Gold (000's oz)	555	749	-	-	-	-	-
Power (TWh)	25	25	25	26	26	26	26

Operating Profits by Operations (mm\$)



Cash Costs

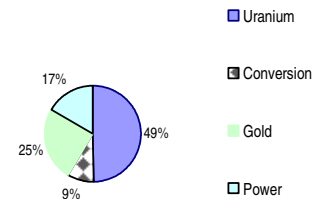
	2007A	2008A	2009A	2010A	2011E	2012E	2013E
U3O8 (C\$/lb)	\$17.10	\$20.88	\$26.59	\$23.60	\$26.57	\$27.55	\$24.71
Conversion (C\$/tonne)	\$14.03	\$14.70	\$13.68	\$12.56	\$12.61	\$13.12	\$13.39
Gold (US\$/lb)	\$457	\$393	\$475	\$0	\$0	\$0	\$0

Operating Profits

By Operations (million)

	2007A	2008A	2009A	2010A	2011E	2012E	2013E
1. Uranium	\$572	\$567	\$406	\$394	\$497	\$684	\$1,071
2. Conversion	(\$27)	\$6	\$28	\$46	\$44	\$53	\$67
3. Gold	(\$29)	\$177	\$142	\$0	\$0	\$0	\$0
4. Power	\$137	\$154	\$219	\$178	\$100	\$101	\$95
Total	\$654	\$903	\$795	\$617	\$641	\$838	\$1,234

2009A Revenue By Product



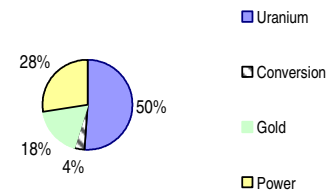
Estimated EPS Leverage to

	2007A	2008A	2009A	2010A	2011E	2012E	2013E
US\$1.00/lb Change In Realized U3O8 Price					\$0.07	\$0.07	\$0.07
\$1.00/MWh Change In Power Price					\$0.02	\$0.00	\$0.00
US\$10/oz Change In Gold Price					\$0.00	\$0.00	\$0.00
US\$0.01 Cent Change In CDN \$					\$0.04	\$0.04	\$0.05

Estimated NAV Break-Down

	\$million	\$/sh	% Assets
Uranium	\$10,495	\$26.61	85%
Conversion	\$1,193	\$3.02	10%
Power	\$641	\$1.63	5%
Gross Asset Value	\$12,329	\$31.26	100%
Net Corporate Overheads & CAPEX	(\$1,650)	(\$4.18)	
Net Debt	\$233	\$0.59	
Net Asset Value	\$10,912	\$27.67	

2009A Operating Profit By Product



Estimated NAV Leverage to

		12-month Target	
US\$1.00/lb Change In Realized U3O8 Price	\$0.41		
\$1.00/MWh Change In Power Price	\$0.05		
US\$1.00/lb Change In Conversion Value	\$0.00		\$38.00
US\$0.01 Cent Change In CDN \$	\$0.47	Price/NAV	1.09x

Source: RBC Capital Market estimates, Company Reports



Valuation

We value Cameco based on forecast 2012E uranium and power earnings to arrive at our price target. Our target P/E's are 30.0x and 15x, respectively, in line with historical trading ranges.

Price Target Impediment

Cameco remains the leader in the uranium industry, in our view, with the largest and highest quality assets in the business. The company has a strong balance sheet and is beginning to generate free cash flow that will support longer-term growth. Progress at Cigar Lake and Cameco's other exploration and development projects hold out the possibility of longer-term upside potential.

Company Description

Cameco Corporation is a low cost, integrated uranium producer and the largest publicly traded uranium producer in the world. Cameco's primary product is uranium concentrate in the form of U₃O₈, which is sold exclusively to electric utilities for the generation of electrical power. Cameco is also one of four commercial converters of UF₆ (uranium hexafluoride) in the Western World, supplying approximately 20% of the demand for conversion services, and it is the only supplier of UO₂ for Candu reactors. Cameco owns a 31.6% interest in the Bruce Power Partnership that leases and operates the Bruce B nuclear power station located in Ontario.

Required Disclosures

Non-U.S. Analyst Disclosure

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RBC Capital Markets is currently providing Cameco Corporation with non-securities services.

RBC Capital Markets has provided Cameco Corporation with non-securities services in the past 12 months.

The author is employed by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada.

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An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers (any of the following criteria may be present):

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

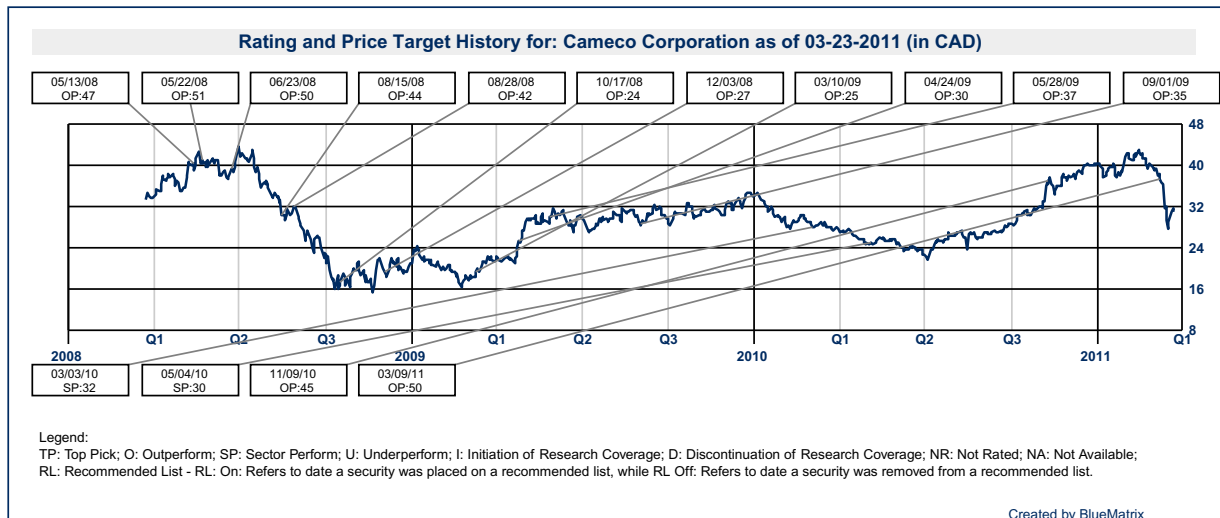
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

Distribution of Ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets' ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).

Distribution of Ratings RBC Capital Markets, Equity Research				
Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY[TP/O]	695	51.60	206	29.64
HOLD[SP]	590	43.80	135	22.88
SELL[U]	61	4.50	11	18.03



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